

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 IO-11 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

OPIC-03 XMB-02 ERDA-05 OES-03 NRC-05 ACDA-05 /123 W  
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R 170939Z MAR 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3131

INFO AMEMBASSY SINGAPORE

AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

C O N F I D E N T I A L MANILA 3798

E.O. 11652: GDS

TAGS: ECIN, EGEN, PFOR, ASEAN, RP

SUBJECT: SICAT VIEWS ON ASEAN ECONOMIC MEETING

1. SUMMARY. GERARDO SICAT, DIRECTOR-GENERAL OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY, AND VICE-CHAIRMAN OF THE SECOND ASEAN MINISTERIAL MEETING AT KUALA LUMPUR, EXPRESSED SATISFACTION WITH THE OUTCOME OF THE MEETING BUT SAID THAT THE ASEAN COUNTRIES STILL HAVE A GREAT DEAL OF HARD WORK AHEAD OF THEM. HE INDICATED THAT GOP WAS PLEASED OVER ITS SELECTION TO UNDERTAKE THE SUPERPHOSPHATES PROJECT, INDICATING NO REGRET THAT THE IRON AND STEEL PROJECT WAS FOR ALL INTENTS AND PURPOSES OMITTED FROM ASEAN CONTEXT. GOP ALSO APPEARS TO HAVE ABANDONED CONCEPT OF FREE TRADE ZONE IN FAVOR OF PREFERENTIAL TRADING ARRANGEMENTS. END SUMMARY

1. IN MEETING WITH EMBOFFS TO DISCUSS RECENT ASEAN ECONOMIC MINISTERS MEETING IN KUALA LUMPUR (AT WHICH HE WAS ELECTED  
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VICE-CHAIRMAN), GERARDO SICAT, DIRECTOR GENERAL OF THE

NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA), STATED THAT THE MEETING "ACCOMPLISHED QUITE A LOT", AND THAT, COMPARED WITH THE ORIGINS OF THE EEC, THE ASEAN COUNTRIES HAVE SHOWN THEMSELVES MUCH MORE INTENT ON PURSUING ECONOMIC COOPERATION. HE SAID THAT THERE WERE NO FORMALITIES AND NO STATEMENTS, AND THE MEETING WAS CHARACTERIZED BY "SHIRT-SLEEVE" WORK. HE ATTRIBUTED THE SMOOTH PROGRESS OF THE MEETING TO THE FACT THAT THE VARIOUS ASEAN ECONOMIC MINISTERS HAVE BEEN SEEING EACH OTHER QUITE FREQUENTLY IN OTHER FORUMS AND HAVE ACCORDINGLY DEVELOPED GOOD WORKING RELATIONS.

2. ALTHOUGH SICAT REFUSED TO BE DRAWN OUT ON THE DETAILS OF THE NEGOTIATIONS ON THE MAJOR PROJECTS, HE WAS PLEASED WITH THE PHILIPPINES RECEIVING THE SUPERPHOSPHATE PROJECT WHICH, HE SAID, WILL BE A LOGICAL DOWNSTREAM EXTENSION OF THE PLANNED COPPER SMELTER, FROM WHICH IT WILL DRAW SULFURIC ACID. SICAT DIFFERENTIATED BETWEEN NATIONAL PROJECTS AND ASEAN PROJECTS, THE FORMER MEETING NATIONAL PRIORITIES AND NEEDS AND THE LATTER INTENDED FOR ASEAN MARKETS AS WELL. THE GOP, FOR EXAMPLE, HAS FOUR PRIORITY PROJECTS IN NUCLEAR POWER, IRON AND STEEL, COPPER SMELTING, AND FERTILIZER. THE FIRST IS DESIGNED FOR DOMESTIC CONSUMPTION AND FERTILIZER, AND IN ANY CASE ITS OUTPUT CANNOT BE EXPORTED, WHILE COPPER OUTPUT IS FOR EXPORT TO JAPAN AND OTHER INDUSTRIALIZED COUNTRIES. HE SAID THE IRON AND STEEL PROJECT IS ALSO DESIGNED FOR DOMESTIC DEMAND AND GLOSED OVER ITS OMISSION AS AN ASEAN PROJECT. ONLY THE FERTILIZER IS PLANNED AS AN ASEAN PROJECT. SICAT ALSO ADDED THAT THE GOP WAS INTERESTED IN PETROCHEMICALS, PARTICULARLY SINCE THE PHILIPPINES ACCOUNTS FOR 50 PERCENT OF THE ASEAN USE OF VARIOUS PETROCHEMICAL PRODUCTS.

3. SICAT CLARIFIED THE IMPRESSION THAT ASEAN ECONOMIC COOPERATION HAS VEERED AWAY FROM TRADING TOWARDS INDUSTRIAL COMPLEMENTATION. WHILE CONCEDING THAT THE ASEAN COUNTRIES WERE NO LONGER TALKING ABOUT A FREE TRADE ZONE, SICAT EMPHASIZED THAT THERE WAS AGREEMENT ON PREFERENTIAL TRADING ARRANGEMENTS, AND THE FIRST TWO BASIC COMMODITIES CHOSEN

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WERE RICE AND CRUDE OIL. A COMMITTEE ON TRADE IS BEING ESTABLISHED TO IDENTIFY OTHER COMMODITIES FOR SUCH PREFERENTIAL TREATMENT.

4. SICAT SAID THAT THIS AVENUE TOWARDS TRADE COOPERATION IS MORE PRACTICAL THAN TARIFF CUTTING WHICH WOULD BE THE LAST THING TO BE UNDERTAKEN. IN THIS RESPECT, HE THOUGHT THAT THE BANGKOK AGREEMENT NEGOTIATED UNDER

ESCAP AUSPICES WAS UNWIELDY, AND HE PERSONALLY ALSO PREFERRED TO SEE PROGRESS AMONG THE ASEAN COUNTRIES FIRST BEFORE ATTEMPTING FURTHER STEPS IN A WIDER BODY.

5. SICAT CONCLUDED THAT THE ASEAN COUNTRIES FACE A GREAT DEAL OF HARD WORK BEFORE THEY WILL SEE ANY CONCRETE PROGRESS IN THEIR VARIOUS PROJECTS. FOUR COMMITTEES -- ON TRADE, INDUSTRY, AGRICULTURE AND COMMUNICATIONS -- ARE BEING FORMED TO CONDUCT THE STUDIES REQUIRED. THEIR REPORTS ARE EXPECTED TO FORM THE BASIS FOR THE THIRD MINISTERIAL MEETING WHICH WILL TAKE PLACE IN MANILA AT A DATE STILL TO BE AGREED UPON BUT LIKELY TO BE SOMETIME TOWARDS THE END OF THE YEAR.

6. COMMENT: WE THOUGHT SICAT SEEMED RATHER ON THE DEFENSIVE BEFORE THE SUGGESTION THAT THE ACCOMPLISHMENTS OF THE KUALA LUMPUR MEETING MIGHT HAVE BEEN MORE APPARENT THAN REAL. HE WENT TO SOME LENGTH TO STRESS IMPORTANCE, INTANGIBLE AS IT MIGHT BE, OF EASE OF RELATIONSHIP AMONG MINISTERS WHICH CREATED GOOD WORKING ATMOSPHERE AND WHICH HE CLEARLY FELT WAS ESSENTIAL INGREDIENT FOR FUTURE PROGRESS. HE NOTED THAT ASEAN COUNTRIES HAD BEEN KEPT ARTIFICIALLY APART OWING TO THEIR DIFFERING COLONIAL EXPERIENCE; AS THEY OVERCAME THEIR INHERITED BARRIERS THEY WERE DISCOVERING THEY WERE THE SAME PEOPLE AND HENCE BETTER EQUIPPED TO COOPERATE THAN EVEN THE COUNTRIES OF THE EEC. WHEN PRESSED LIGHTLY AS TO SPECIFICS OF EITHER PROGRAMS OR TIME FRAMES, HE RETREATED TO THE POSITION THAT THESE DETAILS WOULD BE WORKED OUT IN COMMITTEES LOOKING TOWARD EVEN MORE PRODUCTIVE MEETING IN MANILA "SOMETIME THIS YEAR".

7. WE DO NOT THINK SICAT WAS DISSEMBLING; HE SEEMED  
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GENUINELY IMPRESSED BY OUTCOME OF MEETING AND ASEAN IS CLEARLY IMPORTANT TO THE PHILIPPINES. HOWEVER, THERE WAS CERTAINLY AN ELEMENT OF WISHFUL THINKING IN HIS ACCENTUATION OF POSITIVE. ASEAN MEETING HAS BEEN SUBJECT OF MUCH INTEREST ON PART DIPLOMATIC COMMUNITY HERE, AND PATERNO HAS CHOSEN TO HANDLE INQUIRIES BY CALLING A MEETING OF THE CORPS ON MARCH 22. HIS REMARKS SHOULD PROVIDE AN INTERESTING COUNTERPOINT TO SICAT'S COMMENTS.  
SULLIVAN

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## Message Attributes

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